



# City Council Report

**Date:** June 6, 2011  
**To:** City Council  
**Through:** Trisha Sorenson, Acting Deputy City Manager  
**From:** Alex Deshuk, Manager of Technology & Innovation  
Diane Gardner, CIO  
**Subject:** Amendment of the Information Technology Department's Schedule of Fees and Charges – Telecommunication License Application Fee Citywide Project

## Strategic Initiatives



### Purpose and Recommendation

The City Council is requested to approve the Information Technology Department's recommendation to amend its Schedule of Fees and Charges, specifically the Telecommunications License Application fee.

### Background

The City receives inquiries and subsequent applications for Telecommunications Licenses that grant the Licensees access to install, operate, and maintain communication systems in the City's rights-of-way. Arizona Revised Statutes, 9-581 thru 9-583 and the Mesa City Code, 9-14-1 thru 9-14-3 outline the Telecommunications requirements including the fees a political subdivision (Mesa) can assess. Both sources allow for a License Application Fee for the issuance of a Telecommunications License.

### Discussion

The City grants a license to Telecommunications providers, an application fee is collected to offset the cost the City of Mesa accrues to review the application, to annotate and prevent any conflicts with existing infrastructure, and to negotiate a License Agreement (contract) with the potential Licensee. The City also uses this application review process to evaluate the potential of partnering with the applicants to install or buy additional underground infrastructure, such as fiber or conduit, and capitalizing on the Licensees' trenching and covering the infrastructure.

The current application fee assessed for a Telecommunications License is \$2,000 per application. However, the staff time or personnel costs expended far exceeds this application fee. The initial step in the process is for key staff members in various

departments to review the application, including the required map, and provide any preliminary comments about the proposed system location. These staffers represent a cross-functional department team that work to ensure an effective and consistent use of the public right-of-way. This work also includes contract negotiations and the granting of an appropriate license agreement.

Each applicant would be allotted eighty (80) hours to complete the Licensing process. Once the applicant reached this threshold, the escalation component would apply, and all additional City staff time that exceeds this limitation (>80 hours) would be assessed the application fee at \$125 per hour. Inserting the escalation component to the application fee will allow the City to capture the additional costs accumulated during the negotiations. It will also provide a financial incentive for the applicant to expedite their review, their agreement to the terms and conditions, and the execution of the License.

## **Alternatives**

### **FIXED FEE + HOURLY RATE**

The Council can recommend a lower License application fee increase than proposed by staff. The current fee is \$2,000; recommended fee is \$4,000; so an alternative could be suggested within that range. The Council can also recommend a lower hourly rate for the escalated, hourly rate, which covers staff cost when more than eighty (80) hours of personnel time is expended to review and to grant the License. This alternative is not recommended; the new fixed, application fee combined with the hourly rate is the minimum necessary to ensure the multiple staff members' time that work on the License are recovered.

### **NO ACTION**

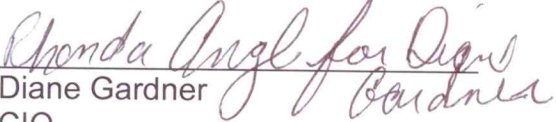
Taking no action will leave the existing fee (\$2,000) in place and not add an escalation, hourly rate. If the fee is not addressed, the City will continue to review and issue these Licenses at a cost deficit; staff time required to grant the license will far exceed the Application Fee.

## **Fiscal Impact**

The City will have no financial outlay to execute this amended fee schedule. Conversely, any new applications submitted will provide an increased amount of revenue to the City towards a more complete, cost-recovery model. For example, had the new rate been in place this fiscal year, the City would have realized an additional \$4,000 in revenue. The escalated, hourly rate will be a motivator for applicants to expedite their review and promote more flexibility during the contract negotiations. If they do not share in this urgency, the escalated, hourly rate shall provide the tool necessary for the City to cover its costs of reviewing and granting Telecommunications Licenses. If this escalator had been in place this fiscal year the City would have realized an additional \$10,000 in revenue. No new revenue is projected, the City is not aware of any new applicants in the Telecommunications market.

## **Coordinated With**

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